

## **COOPERATIVES IN SWITZERLAND – A MODEL FOR THE UK?**

Cooperative housing has an impressive record in many municipalities in Switzerland. A recent study of cooperative housing during a study visit to Zurich in 2010 (funded by the Leverhulme Trust), suggests there are key aspects of the Swiss model that could be transferred to the UK.

This note explores the background of Swiss Cooperative housing movement and how it has evolved and how it operates today. It includes a short description of four recent cooperative housing schemes in Zurich, and finally draws some lessons for the UK.

### **Background**

The affordable housing sector in Switzerland is divided between public sector housing and co-ops with some charitable foundations. In general the public housing proportion is larger in French speaking Switzerland e.g. Geneva and lower in the German speaking areas. Cooperatives are more important in industrialised cities such as Basel, Zurich and Luzern. In Zurich, cooperatives provide approx 20% of the housing stock, public housing 5% and private rented and owned 75%.

Cooperative housing in Zurich is a product of the Swiss Socio Democratic party programme of the 20s (“Red Zurich”). Their legal status was enshrined in national legislation in 1924, and this law provides the guiding principles and rules under which they operate to this day.

The 1924 legislation was in effect a deal between civic society and the state, by which the state would provide housing for those in severe need, while cooperative housing in the industrialised areas would provide for those unable to afford to rent or buy in the private sector.

Cooperatives came from the Left of centre (where there was an industrial and craft base) but they are in fact now a stable part of housing provision, receiving support from the Right as well. The Right is attracted by cooperatives because of their demonstration of community enterprise, and lower levels of central expenditure than the provision of public housing.

There are complex relationships between Federal, local state and cooperative levels but there is no dispute that the local or central state is closely involved in the delivery of co-operative housing. There are many critical connections around land disposal, funding and oversight between the state at central and local level and cooperatives. This does not mean there is no pressure for more traditional public housing; this pressure comes from the Left even though it strongly promotes cooperative housing as well.

The legislation allows housing coops ( a minimum of 7 members) to declare themselves. They must be non-profit; they must be for housing only, not commercial development. The local state must approve the rents and has one representative on cooperative boards. Also the local state must approve coop accounts annually, and deals with any major individual tenant/ coop conflicts.

At a national level, the Federal Department of Housing provides funding, sets down minimum space standards for family housing, and produces statistics and research. The National Association of Cooperatives allocates Federal money to cooperatives, in the form of 10 year loans at a low interest rates, or acts as a debt guarantor. In recent years, the programme has given more emphasis to ecological housing and energy conservation i.e. cooperatives receive greater financial support if they comply with certain ecological standards.

Once a cooperative scheme has been approved at the Federal level, it must seek approval at a canton level. If 10% of the units are declared social housing, the local state social system will subsidise those rents.

### **Land and Funding**

In Zurich, except for small parcels of land, the local state can only dispose of land (at leasehold) to cooperative housing, and cannot sell or lease to private developers. This is plainly a huge incentive for the creation of new coops. Importantly, municipalities can also fund the preparation of feasibility studies and business plans for new schemes.

Most cooperative housing projects are funded from banks which provide 70–80% of the capital costs. In Zurich, cooperatives raise funds from the Zurich Bank which, recognising the coops are a sound investment, has its own department for loans to cooperatives. Coops must raise a minimum of 6% from their tenants with most paying approx £7–10k on entry (NB Swiss cost of living is x2 UK). They also receive a small capital investment from City of Zurich which confirms the relationship between the two parties, with the balance coming as a loan from the City of Zurich pension fund.

Tenant rents are cost rents set at a fixed formula related to the capital building cost (not the land value). If the cooperative has a leasehold from the City, it will pay approx 3.25% of the theoretical land value. Most cooperatives however would prefer to buy the land, but for young cooperatives leaseholds help because they reduce the initial investment.

### **Housing Allocations**

The cooperatives themselves have the sole right to determine who gets the units they manage. The first generation of coops took applications from the local area or work places to which they were attached. The later generation of coops have tried to provide for a wider range of tenants including immigrants, those on low incomes, and

people with disabilities. Andreas Hofer from Kraftwerk described the process in this way, “the first integration of immigrants was undertaken by the local state; the second round of integration (the children of migrants) by the cooperatives”. He describes the challenge facing cooperatives over allocations as a “generational debate”.

The apparent down side of coops from a UK perspective is the requirement that prospective tenants have to make a deposit payment of several thousand Swiss Francs (redeemable at any time the tenant moves out) as well as paying a monthly rent. This payment is necessary to enable the coop to raise match funding for loans from the banks and the municipality. However, the average rent in the cooperative housing sector is 20% below the average of all rents and the deposit payment equals two or three monthly market rent payments.

The deposit is only a problem for younger cooperatives that do not have a track record and must raise more capital themselves.

### **Cooperatives in Zurich**

Zurich is the largest city in German speaking Switzerland. It has a population of 370,000 in the City and 1.3 million in the wider Canton.

The City of Zurich has 120 coops with 40,000 units; largest having 5000 units. The first generation of cooperative housing dated from the 20s and 30s was aimed at housing for workers in industrialised areas. In 1934 the City incorporated 8 villages and bought large amounts of land in these villages for cooperative housing.

A recent phase of cooperative housing is the development of former factory sites and redundant publicly owned land in the City. Sometimes coops have become established following squats and community campaigns around vacant buildings or in opposition to buildings threatened with demolition. This period has cultivated a new generation of entrepreneurs. They have a wider political agenda (for example with the specific aim of including immigrants to the City), a lifestyle agenda (shared living spaces for a number of households), and an environment /design agenda emphasising rehabilitation rather than demolition and low carbon building.

There is intense competition for sites between the cooperatives and private developers in the inner city. Because cooperatives can get some of the best sites (with reasonably easy access to funds), and at a time of rising land prices, this is a significant advantage and creates some resentment in the private sector. Recently, the recession has led to a shift of funds from shares to investment in land and buildings; thus intensifying competition.

### **Case Studies**

#### **1. Kraftwerk.**

This project comprises conversion and new build at a former industrial site which was privately owned. In 1993 the idea of the Kraftwerk cooperative was born led by activists from the student movement of the 1980s, and in 1995 the cooperative was founded, eventually buying the site with a bank loan, with the cooperative putting up 20% of the capital. The completed scheme comprises 91 units plus office units two shops and a café. Building upon this successful track record, Kraftwerk is developing three other sites. It has drawn up schemes funded by in part by a 10% rent increase on Kraftwerk 1. Kraftwerk has introduced, with tenant agreement, a rent increase to help subsidise prospective tenants who cannot afford cost rents.

## **2. Dreiecke**

Dreiecke (which means “triangle”) is a triangular city block comprising a number of old houses/apartments which the city bought in 70s to construct an urban highway. The highway proposal was eventually dropped and the houses fell into disrepair. In the 80s the City Council prepared a new project involving demolition and several new buildings. But there was strong local opposition to the demolition of an attractive street of houses and the displacement of existing residents. Part of the site was squatted. Residents, squatters, and the community developed an alternative plan which would retain and improve the buildings plus undertaking some infill – this they call a “smooth” renovation. In 1993, the Council approved the alternative plan and granted a leasehold for the whole site to the association. A cooperative was formed and, between 1997–2000, 11 buildings were renovated. More than 50% of the 1996 residents still live in the Dreieck .

## **3. Kalbreite**

Kalbreite is a difficult highly urban site with a tram terminus in the middle between two vacant strips of land. The whole site is owned by the City of Zurich. Recently, the City invited proposals from cooperatives for the two vacant areas of land, and funded a detailed feasibility study by the successful bidder. The costs of the completed scheme of 88 units with commercial units on the ground floor are estimated at £40m. The project is due to start on site this year. The coop which now has over 350 members will put up 12% security.

## **4. Karthago**

Karthago is the name of the cooperative on the site of a former showroom and offices for Toyota. It was bought by a speculator who was unable to redevelop the building. A local group led by former activists set up a cooperative and approached the national association of cooperatives with a proposal to buy and convert the building into housing. The Karthago Cooperative was able to obtain a loan of £2m to buy the site

and undertake a conversion into 25 units, including a shared kitchen and dining area space.

### **Lessons for the UK**

The critical factors in the housing cooperative movement in Switzerland are firstly the social movements in industrial areas and in municipalities like Zurich that established the 1924 law establishing cooperatives within the housing system of the country. The stability of this legislation and the political consensus around it has ensured continuous evolution including adoption of the model by the radical movements of the 1980s and onwards, and the willingness of the state at both central and local level to play an active part in enabling coops.

Secondly, the mechanisms set up municipalities for transferring land to cooperatives and for funding feasibility and capital costs are critical. The convention that municipal land will in most cases be transferred on a leasehold basis to cooperatives is central to incentivising the cooperative system. Thus, the state holds onto freeholds and exercises control and public accountability through its overall management of its own investment, and supervision of the cooperative development process.

The fact that the banks and the central and local state make capital funding available, and the local state will also fund feasibility studies, and in other ways enable the sector to succeed, demonstrates the very significant enabling role of the state.

The model fits in with the current trend in the UK to localism, local initiative and away from the direct provision of public/affordable housing. It addresses the perennial problem of land costs since the cooperative system is underpinned by asset transfers from local authorities on a leasehold basis, and capital funding from both central and local state. It also utilises municipal pension funds for local benefit in a way that is almost unknown in the UK.

The Swiss model shows that “third way” housing provision can operate at a strategic scale making a major contribution to meeting housing need. It has continued to evolve to reflect a changed political climate, and has begun to address the problem of how it can contribute to meeting the housing needs of the most disadvantaged. It also has a strong environmental mission which is reflected in the design and maintenance of cooperative estates.

But it also shows that this “Civic Society” or Third Way solution depends upon a long term strategic infrastructure of support and enabling policies (in particular land disposal and capital funding policies) from the local and central state. Indeed, without this infrastructure cooperatives could not survive or play a significant role in housing provision.

It follows that in the UK any initiatives to expand third way housing provision to replace public housing or act as an alternative model to the private land and property

market, through cooperatives or community land trusts will require a similar level of political, legislative and financial support.

Dr Bob Colenutt (in collaboration with Andreas Hofer, Kraftwerk, Zurich)

Northampton Institute for Urban Affairs

University of Northampton

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